



MANNA FOOD BANK, INC.

Asheville, North Carolina

Financial Statements

Years Ended June 30, 2024 and 2023

MANNA FOOD BANK, INC.

OFFICERS

LaVoy Spooner
Lindsey Wilson
Edward Zaidberg
Marcia Bromberg
Jim Mathews

President
Vice-President
Treasurer
Secretary
Past President

BOARD OF DIRECTORS

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Corey Atkins
Marcia Bromberg
Judy Butler
Kevin Click
Melody Dunlop
Rose James Elizabeth Wall-Bassett
David Jenkins
Terry Latanich

Jim Mathews
Sandra Precoma
Mel Scholl
LaVoy Spooner
John Staatz
Tyler Vereen

Lindsey Wilson
Edward Zaidberg

EX-OFFICIO MEMBER

Claire Neal, Chief Executive Officer

EMERITUS

Melody Dunlop
Joel Gillespie
Kip Marshall, Jr.
Jim Mathews

Brad Searson
Cissie Stevens
Marjorie Ulin
Sheryl Williams

MANNA FOOD BANK, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
MANNA Food Bank, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of MANNA Food Bank, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of MANNA Food Bank, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MANNA Food Bank, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MANNA Food Bank, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MANNA Food Bank, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MANNA Food Bank, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2025, on our consideration of MANNA Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MANNA Food Bank, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MANNA Food Bank, Inc.'s internal control over financial reporting and compliance.

CARTER, P.C.

Asheville, North Carolina
February 20, 2025

MANNA FOOD BANK, INC.

Statements of Financial Position June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 21,261,336	\$ 7,536,467
Restricted	54,368	41,417
Short-term investments	53,908	52,045
Accounts and grants receivable	1,309,068	526,733
Promises to give	329,606	167,632
Other receivables	217,038	34,155
Prepaid expenses	200,430	199,947
Other assets	81,100	47,662
Food inventories	940,773	810,427
Asset available-for-sale	<u>1,123,166</u>	
Total current assets	25,570,793	<u>9,416,485</u>
Investments		11,563,414
Beneficial interest in endowment funds	3,472,281	3,106,432
Property and equipment	3,680,301	5,444,981
Intangible assets	<u>94,393</u>	<u>142,979</u>
Total assets	<u>\$ 32,817,768</u>	<u>\$ 29,674,291</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 948,806	\$ 532,034
Accrued liabilities	346,664	469,161
Grants payable	1,411	2,111
Deferred revenue	<u>873,957</u>	<u>276,487</u>
Total current liabilities	<u>2,170,838</u>	<u>1,279,793</u>
Net assets:		
Without donor restrictions	29,331,484	27,200,519
With donor restrictions	<u>1,315,446</u>	<u>1,193,979</u>
Total net assets	<u>30,646,930</u>	<u>28,394,498</u>
Total liabilities and net assets	<u>\$ 32,817,768</u>	<u>\$ 29,674,291</u>

The accompanying notes are an integral part of these financial statements.

MANNA FOOD BANK, INC.

Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions and private grants	\$ 6,603,736	\$ 642,257	\$ 7,245,993
Government grants	5,077,889	3,698	5,081,587
In-kind contributions	174,524		174,524
USDA food receipts	3,607,327	118,638	3,725,965
Privately donated food	21,832,654	89,286	21,921,940
Service fees	1,177,316		1,177,316
Co-op food program	942,450		942,450
Reclaim scanning fees	238,081		238,081
Special events	299,555		299,555
Other income	20,769		20,769
Net assets released from restrictions	<u>732,412</u>	<u>(732,412)</u>	
Total revenues and other support	<u>40,706,713</u>	<u>121,467</u>	<u>40,828,180</u>
Expenses			
Program services	36,657,168		36,657,168
Supporting services	<u>2,658,745</u>		<u>2,658,745</u>
Total expenses	<u>39,315,913</u>		<u>39,315,913</u>
Increase in net assets before other income (expenses)	<u>1,390,800</u>	<u>121,467</u>	<u>1,512,267</u>
Other income (expenses)			
Loss on disposal of property and equipment	(394,399)		(394,399)
Investment income, net	547,901		547,901
Net gains on investments	326,809		326,809
Net gains on beneficial interest in endowment funds	<u>259,854</u>		<u>259,854</u>
Total other income	<u>740,165</u>		<u>740,165</u>
Increase in net assets	2,130,965	121,467	2,252,432
Net assets at beginning of year	<u>27,200,519</u>	<u>1,193,979</u>	<u>28,394,498</u>
Net assets at end of year	<u>\$ 29,331,484</u>	<u>\$ 1,315,446</u>	<u>\$ 30,646,930</u>

The accompanying notes are an integral part of these financial statements.

MANNA FOOD BANK, INC.

Statement of Activities Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions and private grants	\$ 7,373,351	\$ 613,951	\$ 7,987,302
Government grants	3,679,421	2,432	3,681,853
In-kind contributions	393,817		393,817
USDA food receipts	2,185,508	43,811	2,229,319
Privately donated food	21,174,006	121,284	21,295,290
Service fees	951,098		951,098
Co-op food program	414,450		414,450
Reclaim scanning fees	232,296		232,296
Special events	420,214		420,214
Other income	21,391		21,391
Net assets released from restrictions	761,717	(761,717)	
Total revenues and other support	<u>37,607,269</u>	<u>19,761</u>	<u>37,627,030</u>
Expenses			
Program services	34,141,468		34,141,468
Supporting services	2,354,810		2,354,810
Total expenses	<u>36,496,278</u>		<u>36,496,278</u>
Increase in net assets before other income	<u>1,110,991</u>	<u>19,761</u>	<u>1,130,752</u>
Other income			
Gain on disposal of property and equipment	3,000		3,000
Investment income, net	299,847		299,847
Net gains on investments	162,324		162,324
Net gains on beneficial interest in endowment funds	170,205		170,205
Total other income	<u>635,376</u>		<u>635,376</u>
Increase in net assets	1,746,367	19,761	1,766,128
Net assets at beginning of year	<u>25,454,152</u>	<u>1,174,218</u>	<u>26,628,370</u>
Net assets at end of year	<u>\$ 27,200,519</u>	<u>\$ 1,193,979</u>	<u>\$ 28,394,498</u>

The accompanying notes are an integral part of these financial statements.

MANNA FOOD BANK, INC.

Statement of Functional Expenses Year Ended June 30, 2024

	Program Services				
	Food Collection & Distribution	Outreach & Advocacy	Nutrition Works	Youth Feeding Programs	Total Program Services
Salaries, contract labor, & payroll taxes	\$ 2,561,109	\$ 188,417	\$ 214,250	\$ 60,642	\$ 3,024,418
Employee benefits	306,483	15,588	10,514	9,931	342,516
Professional services	31,989	56,983			88,972
Supplies	178,922	7,808	6,935	5,507	199,172
Advertising	1,218		1,498		2,716
Equipment maintenance & leasing	40,850	1,401	91	14	42,356
Postage & printing	10,430	4,461	1,290		16,181
Professional fees & dues	9,714	5,923	340		15,977
Occupancy	158,205	18,820			177,025
Insurance	12,378		22	52	12,452
Communications	11,233	17,742	626	206	29,807
Travel	20,961	686	803		22,450
Conferences & continuing education	6,795	129	100		7,024
Project expenses	90,179	61	7	59	90,306
Contributions & agency subsidies	660,821				660,821
Promotions	43,756				43,756
Food purchases	4,468,568	15	511,013	556,454	5,536,050
Shipping & transportation	295,089				295,089
Donated product	22,017,160				22,017,160
USDA product distribution	3,651,138				3,651,138
Miscellaneous	5,656	800			6,456
Total expenses before interest and depreciation and amortization	34,582,654	318,834	747,489	632,865	36,281,842
Interest Depreciation and amortization	366,300	8,045	634	347	375,326
Total expenses	<u>\$ 34,948,954</u>	<u>\$ 326,879</u>	<u>\$ 748,123</u>	<u>\$ 633,212</u>	<u>\$ 36,657,168</u>

The accompanying notes are an integral part of these financial statements.

MANNA FOOD BANK, INC.

Statement of Functional Expenses (continued) Year Ended June 30, 2024

	Supporting Services			
	Management & General	Fundraising Expenses	Total Supporting Services	Total
Salaries, contract labor, & payroll taxes	\$ 669,554	\$ 587,642	\$ 1,257,196	\$ 4,281,614
Employee benefits	342,588	79,782	422,370	764,886
Professional services	110,202	5,838	116,040	205,012
Supplies	64,583	19,643	84,226	283,398
Advertising	205	17,704	17,909	20,625
Equipment maintenance & leasing	20,202	554	20,756	63,112
Postage & printing	3,310	469,073	472,383	488,564
Professional fees & dues	15,438	558	15,996	31,973
Occupancy	979		979	178,004
Insurance	20,255	264	20,519	32,971
Communications	15,695	1,410	17,105	46,912
Travel	4,604	956	5,560	28,010
Conferences & continuing education	38,112	1,150	39,262	46,286
Project expenses	780	336	1,116	91,422
Contributions & agency subsidies				660,821
Promotions	23,636	20,968	44,604	88,360
Food purchases	10,540		10,540	5,546,590
Shipping & transportation				295,089
Donated product				22,017,160
USDA product distribution				3,651,138
Miscellaneous	<u>16,378</u>	<u>34,779</u>	<u>51,157</u>	<u>57,613</u>
Total expenses before interest and depreciation and amortization	1,357,061	1,240,657	2,597,718	38,879,560
Interest	696		696	696
Depreciation and amortization	<u>60,331</u>		<u>60,331</u>	<u>435,657</u>
Total expenses	<u>\$ 1,418,088</u>	<u>\$ 1,240,657</u>	<u>\$ 2,658,745</u>	<u>\$ 39,315,913</u>

The accompanying notes are an integral part of these financial statements.

MANNA FOOD BANK, INC.

Statement of Functional Expenses Year Ended June 30, 2023

	Program Services				
	Food Collection & Distribution	Outreach & Advocacy	Nutrition Works	Youth Feeding Programs	Total Program Services
Salaries, contract labor, & payroll taxes	\$ 2,511,895	\$ 194,432	\$ 262,976	\$ 60,209	\$ 3,029,512
Employee benefits	482,719	41,248	40,317	4,540	568,824
Professional services	41,870	42,553	183		84,606
Supplies	187,107	26,243	2,476	15,292	231,118
Advertising	42,440	180	408	408	43,436
Equipment maintenance & leasing	58,798	3,843	2,116	100	64,857
Postage & printing	15,976	4,352	20,735	105	41,168
Professional fees & dues	18,007	7,333	95		25,435
Occupancy	175,286	22,385	14,610	102	212,383
Insurance	36,201		216	113	36,530
Communications	13,511	11,186	1,665	305	26,667
Travel	24,955	3,374	913	303	29,545
Conferences & continuing education	10,912		167		11,079
Project expenses	92,805	756			93,561
Contributions & agency subsidies	254,956				254,956
Promotions	3,682				3,682
Food purchases	3,896,294		140,514	720,206	4,757,014
Shipping & transportation	449,573		1,536	11,947	463,056
Donated product	21,435,417				21,435,417
USDA product distribution	2,331,644				2,331,644
Provision for credit losses					
Miscellaneous		8	105		113
Total expenses before depreciation and amortization	32,084,048	357,893	489,032	813,630	33,744,603
Depreciation and amortization	386,742	9,142	634	347	396,865
Total expenses	<u>\$ 32,470,790</u>	<u>\$ 367,035</u>	<u>\$ 489,666</u>	<u>\$ 813,977</u>	<u>\$ 34,141,468</u>

The accompanying notes are an integral part of these financial statements.

MANNA FOOD BANK, INC.

Statement of Functional Expenses (continued) Year Ended June 30, 2023

	Supporting Services			
	Management & General	Fundraising Expenses	Total Supporting Services	Total
Salaries, contract labor, & payroll taxes	\$ 670,093	\$ 463,349	\$ 1,133,442	\$ 4,162,954
Employee benefits	174,758	77,155	251,913	820,737
Professional services	116,029	2,547	118,576	203,182
Supplies	52,579	19,013	71,592	302,710
Advertising	19	3,330	3,349	46,785
Equipment maintenance & leasing	16,607	3,981	20,588	85,445
Postage & printing	2,303	479,062	481,365	522,533
Professional fees & dues	3,306	1,231	4,537	29,972
Occupancy	5,794	1,056	6,850	219,233
Insurance	28,544	1,155	29,699	66,229
Communications	18,883	1,215	20,098	46,765
Travel	2,951	602	3,553	33,098
Conferences & continuing education	7,095	670	7,765	18,844
Project expenses	41	197	238	93,799
Contributions & agency subsidies				254,956
Promotions	12,593	66,068	78,661	82,343
Food purchases	431		431	4,757,445
Shipping & transportation	32	80	112	463,168
Donated product				21,435,417
USDA product distribution				2,331,644
Provision for credit losses		8,212	8,212	8,212
Miscellaneous	<u>5,019</u>	<u>35,651</u>	<u>40,670</u>	<u>40,783</u>
Total expenses before depreciation and amortization	1,117,077	1,164,574	2,281,651	36,026,254
Depreciation and amortization	<u>73,055</u>	<u>104</u>	<u>73,159</u>	<u>470,024</u>
Total expenses	<u>\$ 1,190,132</u>	<u>\$ 1,164,678</u>	<u>\$ 2,354,810</u>	<u>\$ 36,496,278</u>

The accompanying notes are an integral part of these financial statements.

MANNA FOOD BANK, INC.

Statements of Cash Flows Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Increase in net assets	\$ 2,252,432	\$ 1,766,128
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	435,657	470,024
Provision for credit losses		8,212
Receipts of donated other assets	(112,030)	(182,627)
Distribution of donated other assets	141,092	283,024
Receipt of donated property and equipment	(8,170)	
Receipts of donated inventory	(21,921,940)	(21,295,290)
Disbursements of donated inventory	22,017,160	21,435,417
Receipts of USDA inventory	(3,725,965)	(2,229,319)
Disbursements of USDA inventory	3,651,138	2,331,644
(Gain) loss on disposal of property and equipment	394,399	(3,000)
Receipt of donated stock	(305,190)	(164,684)
Net gains on investments	(326,809)	(162,324)
Net gains on beneficial interest in endowment funds	(259,854)	(170,205)
Changes in working capital - sources (uses):		
Accounts and grants receivable	(782,335)	2,228,684
Promises to give	(161,974)	(23,395)
Other receivables	(182,883)	162
Prepaid expenses	(483)	(20,239)
Other assets	(62,500)	(23,972)
Food inventories	(150,739)	(34,340)
Accounts payable	416,772	185,179
Accrued liabilities	(122,497)	33,054
Grants payable	(700)	(724,755)
Deferred revenue	597,470	(91,977)
Net cash provided by operating activities	<u>1,782,051</u>	<u>3,615,401</u>

The accompanying notes are an integral part of these financial statements.

MANNA FOOD BANK, INC.

Statements of Cash Flows (continued)
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from investing activities		
Purchase of short-term investments	\$ (1,863)	\$ (537)
Purchase of investments	(427,487)	(294,681)
Proceeds from sale of investments	12,622,900	165,815
Contributions to beneficial interest in endowment funds	(69,655)	(292,572)
Change in beneficial interest in endowment funds	(36,340)	(4,172)
Proceeds from sale of property and equipment		3,000
Purchase of property and equipment	(131,786)	(1,315,586)
Purchase of intangible assets		(12,688)
Net cash provided (used) by investing activities	<u>11,955,769</u>	<u>(1,751,421)</u>
Increase in cash and equivalents and restricted cash	13,737,820	1,863,980
Cash and equivalents and restricted cash at beginning of year	<u>7,577,884</u>	<u>5,713,904</u>
Cash and equivalents and restricted cash at end of year	<u>\$ 21,315,704</u>	<u>\$ 7,577,884</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 696</u>	<u>\$</u>
Land reclassified to asset available-for-sale	<u>\$ 1,123,166</u>	<u>\$</u>

The accompanying notes are an integral part of these financial statements.

MANNA FOOD BANK, INC.

Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Organization

MANNA Food Bank, Inc. (Organization) is a nonprofit entity established for the purpose of collecting, warehousing, and distributing salvageable food and non-food products to area agencies and eligible recipients. The Organization was incorporated as a nonprofit organization under the laws of the State of North Carolina on August 19, 1982. During the year ended June 30, 2024, the Organization served over 200 agency sites in sixteen Western North Carolina counties.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization has also been classified as a publicly-supported charitable organization and is exempt from state taxes under North Carolina General Statute 105-130.11(a).

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and Board of Directors.
- *Net assets with donor restrictions:* Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions, grants, and donated food inventory. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions. The Organization has adopted a policy to classify donor restricted support as without donor restrictions to the extent that restrictions were met in the reporting period the support was recognized.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Non-operating activities are limited to resources that generate return from investments and beneficial interest in endowment funds, losses on disposal of various assets; and other activities considered to be more unusual or nonrecurring in nature.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than short-term investments, food inventories, investments, and beneficial interest in endowment funds, approximates fair value due to the relatively short-term nature of the financial instruments.

The fair value of food inventories is discussed in Note 1, Food Inventories.

Fair value of short-term investments, investments, and beneficial interest in endowment funds is discussed in Note 7.

Cash and Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash consists primarily of cash held for employment tax claims and forfeited retirement contributions.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Accounts and Other Receivables

Accounts receivable consist of uncollateralized customer obligations for administrative fees and food sales. The Organization provides credit to certain agency partners. Receipts of payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The Organization has not experienced significant difficulties in collecting accounts receivable and therefore does not assess finance charges.

Other receivables consist primarily of sales tax receivables.

Allowance for Credit Losses

The allowance for credit losses represents an estimate made by management of the lifetime expected credit losses inherent in accounts receivable. In reviewing aged receivables, management considers their knowledge of customers, historical losses, and current economic conditions in establishing the allowance for credit losses. The Organization writes-off accounts receivables when they become uncollectable, and payments subsequently received on such receivables are credited back to the allowance account in the period the payment is received.

All accounts and other receivables are considered by management to be fully collectible and therefore no allowance for credit losses has been recorded.

Grants Receivable

Grants receivable are funds due from federal, state, or local governmental agencies and nonprofit organizations at fiscal year-end. Conditional grants receivable are not recognized in the financial statements until the conditions are substantially met. Unconditional grants receivable are expected to be collected within one year and are recorded at net realizable value. All grants receivables are considered by management to be fully collectible and therefore no provision for uncollectible grants receivable has been recorded. Receivables are considered impaired if full payment is not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible grants receivable when management determines collection is unlikely.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contributions and private grants. Promises to give are considered by management to be fully collectible and therefore no provision for uncollectible promises to give has been recorded. It is the Organization's policy to charge off uncollectible promises to give when management determines collection is unlikely.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Food Inventories

Food inventories represent donated and purchased food and other household products. Inventory items purchased are recorded at average cost (which approximates actual costs on the first-in, first-out method). Donated food inventory and the related donated food revenue and distributed are valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology (the Survey), prepared by Feeding America. The value per pound of inventory as determined by Feeding America for the years ended June 30, 2024, and 2023, was \$1.97 and \$1.93, respectively.

Inventory items received from the U.S. Department of Agriculture (USDA) are recorded at the value assigned by USDA. If a value is not assigned, the inventory and related food revenue and amounts distributed are valued using the Survey. There were no unassigned inventory values for the years ended June 30, 2024, and 2023, respectively.

Other Assets

Other assets consist of donated freezers and coolers held for distribution to partner agencies and deposits on property and equipment purchases.

Asset Available-for-Sale

Asset available-for-sale consists of land to be sold. Assets are reviewed for impairment when events or circumstances indicate that it is more likely than not that the fair value of the asset is below the carrying amount. Recoverability is measured by a comparison of the carrying amount of the asset group to future net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value of the asset less the estimated cost to sell. No impairment has been identified by the Organization as of the year ended June 30, 2024.

Short-term Investments

Short-term investments consist of certificates of deposit with maturities exceeding three months.

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statements of activities.

Investment Income and Gains

Investment income and gains are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures

The Organization applies U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities within the fair value hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Organization's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed. The Organization has adopted an accounting policy to capitalize all property and equipment with a cost greater than \$1,500 and estimated useful life extending beyond one year. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from three to forty years.

Donated Property and Equipment

Donations of property and equipment are recorded as in-kind contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as in-kind contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Intangible Assets

Intangible assets consist of software and related development costs and are carried at cost. The Organization determines the useful lives of identifiable assets after considering the specific facts and circumstances related to each intangible asset. Intangible assets are amortized using the straight-line method over their estimated useful life of three to five years.

Leases

The Organization determines if an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception. Operating leases are included as operating lease right-of-use (ROU) assets and operating lease liabilities in the accompanying consolidated statements of financial position. Finance leases are recorded as finance lease ROU assets and finance lease liabilities in the accompanying consolidated statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments, discounted using the Organization's incremental borrowing rate or the implied interest rates.

Lease terms may include options to renew when it is reasonably certain the Organization will exercise those options. Lease agreements do not contain any material residual value guarantees or restrictive covenants.

The Company has elected to apply the short-term lease exception to all leases with a remaining term of 12 months or less and those that are considered immaterial.

Donated Assets

Donated marketable securities are recorded as contributions at their estimated fair value at the date of donation. Donated materials and equipment are reflected as in-kind contributions at their estimated fair value at the date of donation. Noncash donated assets are described in Note 11.

Donated Services

Donated services are recognized as in-kind contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services are described in Note 11.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

The Organization received \$735,895 and \$211,928, in advance payments on cost-reimbursable grants that have not been recognized as of June 30, 2024 and 2023, respectively. These amounts will be included in deferred revenue until qualifying expenditures have been incurred or refunded to the grantor as unexpended grant funding.

In April 2022, the Organization was awarded a conditional federal reimbursement-based grant for approximately \$6,467,000 through the American Rescue Plan Act. The Organization has incurred qualifying expenditures related to this funding of \$2,842,575 and \$2,598,324 as of June 30, 2024 and 2023, respectively.

In July 2023, the Organization was awarded a conditional federal reimbursement-based grant for approximately \$1,330,000 through a new USDA local food purchase assistance program. As of June 30, 2024, the Organization has incurred qualifying expenditures related to this funding of approximately \$216,000.

Certain contributions made to the Organization are designated by the donor to be paid out to other agencies. Agency grant funds received and distributed to other organizations are not reported as revenue, support, or expenses within the accompanying statements of activities as the Organization lacks variance power to direct the use of the funds. The balance of unpaid agency grant funds is included in deferred revenue until the funds are paid out.

Service fees consist of agency processing and delivery fees; mobile pantry fees; and Healthy Opportunity Pilot program service fees. Revenue from reclaim scanning represents per piece fees paid by a third party for scanning damaged or otherwise commercially unmarketable grocery items at the Organization's Reclaim Center. These fees predominately contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks, and rewards transfer to the customers. Unearned fees are not recognized in the statements of activities and are included in deferred revenue in the statements of financial position. Freight costs associated with food distribution are recorded as shipping and transportation expenses in the accompanying statements of activities.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue is also generated from the sale of food products to agencies through the co-op food program. These sales predominately contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks, and rewards transfer to the customer.

Advertising

The Organization uses advertising to promote various programs. Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the years ended June 30, 2024 and 2023, was \$20,625 and \$46,785, respectively.

Functional Allocation of Expenses

The costs of providing program and supporting services activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses for contributions & agency subsidies, product shipping & transportation, donated product, and USDA product distribution are directly attributable to program services. Interest expense is directly attributable to supporting services expenses. All other categories of expenses are attributable to programs and supporting services and are allocated on the basis of a combination of estimates of time and effort and the square footage of building space in which the programs are operated.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

Newly Adopted Accounting Pronouncements

During the year ended June 30, 2024, the Organization adopted the requirements of Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*; and ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments*; and ASU 2020-03, *Codification Improvements to Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. Additional note disclosures have been added to Note 1, Allowance for Credit Losses, as a result of the implementation of ASU 2016-13.

Note 2 - Net Assets

Net assets are described as follows:

<u>At June 30</u>	<u>2024</u>	<u>2023</u>
Net assets without donor restrictions:		
Undesignated	\$ 7,893,218	\$ 6,446,655
Investment in property and equipment	<u>3,680,301</u>	<u>5,444,981</u>
Board designated:		
Operating reserve	2,860,393	1,841,723
Capital reserve		903,025
Future facilities reserve	<u>14,897,572</u>	<u>12,564,135</u>
Total board designated	<u>17,757,965</u>	<u>15,308,883</u>
Net assets without donor restrictions	<u>29,331,484</u>	<u>27,200,519</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or period:		
Capital project	60,000	
FNS outreach	37,947	104,527
Food distribution	409,500	179,910
Food purchases		95,751
Passage of time	50,948	53,690
SAM food	3,698	2,432
Service insights		132,024
USDA food programs	118,638	43,811
Youth programs	<u>272,648</u>	<u>219,767</u>
Total subject to expenditure for specified purpose or period	953,379	831,912
Not subject to spending policy or appropriation:		
Investments in perpetuity - endowment funds	<u>362,067</u>	<u>362,067</u>
Net assets with donor restrictions	<u>1,315,446</u>	<u>1,193,979</u>
Total net assets	<u>\$ 30,646,930</u>	<u>\$ 28,394,498</u>

Note 3 - Liquidity and Availability of Financial Assets

The Organization receives significant contributions, grants, and promises to give restricted by donors and consider those program contributions, which are ongoing, major, and central to its operations, to be available to meet cash needs for general expenditures.

The Organization manages liquidity and reserves utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Dedicated reserves to provide reasonable assurance that obligations are met.

Note 3 - Liquidity and Availability of Financial Assets (continued)

The Organization targets year-end reserve balances of undesignated net assets without donor restrictions to meet 180 days of expected expenditures. To achieve this target, the Organization forecasts future cash flows and monitors liquidity on a quarterly basis. Additionally, the Board resolved to maintain six months of cash on hand.

Board designated operating and capital reserves are available for appropriation by the Board. However, the Organization does not intend to spend from these reserves, unless necessary.

The following reflects the liquidity and availability of the Organization's financial assets:

At June 30	2024	2023
Financial assets:		
Cash and equivalents	\$ 21,315,704	\$ 7,577,884
short-term investments	53,908	52,045
Accounts and grants receivable	1,309,068	526,733
Promises to give	329,606	167,632
Other receivables	217,038	34,155
Food inventories	940,773	810,427
Asset available-for-sale	1,123,166	
Investments		11,563,414
Beneficial interest in endowment funds	<u>3,472,281</u>	<u>3,106,432</u>
Total financial assets	<u>28,761,544</u>	<u>23,838,722</u>
Amounts not available for general expenditure:		
Board designated operating reserve	(2,860,393)	(1,841,723)
Board designated capital reserve		(903,025)
Board designated future facilities reserve	(14,897,572)	(12,564,135)
Net assets with donor restrictions	(1,315,446)	(1,193,979)
Donated food inventories to be distributed	(328,112)	(423,332)
Add back: promises to give	<u>329,606</u>	<u>167,632</u>
Total amounts not available for general expenditure	<u>(19,071,917)</u>	<u>(16,758,562)</u>
Net financial assets available to meet cash needs		
for general expenditures within one year	<u>\$ 8,566,461</u>	<u>\$ 7,080,160</u>

Note 4 - Contract Assets and Liabilities

Accounts and grants receivable and promises to give represent the Organization's contract assets with an unconditional right to receive consideration from customers. Accounts and grants receivable and promises to give are recorded at invoiced amounts or amounts expected to be received based on contractual terms without conditions.

Note 4 - Contract Assets and Liabilities (continued)

The following table provides information about contract assets:

At June 30	2024	2023	2022
Accounts and grants receivable:			
Grants receivable	\$ 978,735	\$ 243,975	\$ 2,558,146
Service fees receivable	<u>330,333</u>	<u>282,758</u>	<u>197,271</u>
Accounts and grants receivable	1,309,068	526,733	2,755,417
Promises to give	<u>329,606</u>	<u>167,632</u>	<u>152,449</u>
Total contract assets	\$ 1,638,674	\$ 694,365	\$ 2,907,866

Contract liabilities are recorded when a customer pays consideration, or the Organization has a right to an amount of consideration that is unconditional, before the transfer of a good or performance of a service to the customer. Thus, the Organization has an obligation to transfer the good or service to the customer at a future date. Contract liabilities are reported as grants payable and deferred revenue in the accompanying statements of financial position and are comprised of the following:

- Grants payable, represent amounts awarded to agency members and amounts received from donors and designated for use by agency members.
- Conditional grants, representing advance payments received from grantors prior to incurring expenditures in compliance with specific contract or grant provisions.
- Agency credits, representing advance payments from customers for products or services.

Significant changes in contract liabilities from contracts with customers are as follows:

Years Ended June 30	2024	2023
Grants payable, beginning of year	\$ 2,111	\$ 726,866
Grants payable applied to agency balances	(700)	(61,145)
Grant funds paid to agencies	(3,960)	(724,755)
Cash received designated for agency grants	<u>3,960</u>	<u>61,145</u>
Grants payable, end of year	<u>1,411</u>	<u>2,111</u>
Deferred revenue:		
Conditional grants, beginning of year	211,928	297,048
Revenue recognized during the fiscal year that was included in conditional grants	(132,902)	(297,048)
Increase in conditional grants due to cash received during fiscal year	<u>735,895</u>	<u>211,928</u>
Conditional grants, end of year	<u>814,921</u>	<u>211,928</u>

Note 4 - Contract Assets and Liabilities (continued)

Years Ended June 30	2024	2023
Agency credits, beginning of year	\$ 64,559	\$ 71,416
Credits applied to agency balances	(10,975)	(68,002)
Credit issued to agencies	<u>5,452</u>	<u>61,145</u>
Agency credits, end of year	<u>59,036</u>	<u>64,559</u>
Total deferred revenue	<u>873,957</u>	<u>276,487</u>
Total contract liabilities	\$ 875,368	\$ 278,598

Note 5 - Food Inventories

Food inventories have been recorded at net present value. The following presents a summary of food received and distributed:

Years Ended June 30	2024		2023	
	lbs.	\$	lbs.	\$
Product received:				
Donated product	11,127,888	\$ 21,921,940	11,033,829	\$ 21,295,290
USDA product	3,063,045	3,725,965	1,898,220	2,229,319
Purchased product	<u>6,956,771</u>	<u>5,697,329</u>	<u>7,857,857</u>	<u>4,791,785</u>
Total product received	<u>21,147,704</u>	<u>\$ 31,345,234</u>	<u>20,789,906</u>	<u>\$ 28,316,394</u>
Product distribution:				
Donated product	11,180,677	\$ 22,017,160	11,107,954	\$ 21,435,417
USDA product	2,978,520	3,651,138	2,041,367	2,331,644
Purchased product	<u>6,809,074</u>	<u>5,546,590</u>	<u>7,845,265</u>	<u>4,757,445</u>
Total product distributed	<u>20,968,271</u>	<u>\$ 31,214,888</u>	<u>20,994,586</u>	<u>\$ 28,524,506</u>

Note 6 - Beneficial Interest in Endowment Funds

The beneficial interest in endowment funds is managed by the Community Foundation of Western North Carolina, Inc. (Foundation). The fund agreements grant variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restriction on the distribution of funds, if, in its sole judgment (without the approval of any trustee, custodian, or agent), such condition or restriction becomes in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by the Foundation. Under the terms of the agreements, the Organization can withdraw all or a portion of the original principal provided that the governing board of the Organization and the Foundation approve the withdrawal. The Organization's beneficial interest in endowment funds is invested in an allocated investment pool at the Foundation and is presented in the financial statements in the aggregate at fair value.

Note 7 - Fair Value Measurements

Short-term investments, investments, and beneficial interest in endowment funds are reported in the accompanying financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value:

Certificates of Deposit

Certificates of deposit are short-term time deposits with a local bank that are valued at fair market value and are categorized as Level 2.

Equity Investments

Equity investments consist of daily traded mutual funds. These investments are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

Beneficial Interest in Endowment Funds

The fair value of the beneficial interest in endowment funds is provided by the Foundation. Due to inputs being unobservable, the instruments are categorized as Level 3.

The following tables sets forth estimated fair values of financial instruments:

<u>At June 30, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments:				
Certificates of deposit	\$	\$ 53,908	\$	\$ 53,908
Beneficial interest in endowment funds			3,472,281	3,472,281
<u>Total fair value measurements</u>	<u>\$</u>	<u>\$ 53,908</u>	<u>\$ 3,472,281</u>	<u>\$ 3,526,189</u>

<u>At June 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments:				
Certificates of deposit	\$	\$ 52,045	\$	\$ 52,045
Investments:				
Equity investments	11,563,414			11,563,414
Beneficial interest in endowment funds			3,106,432	3,106,432
<u>Total fair value measurements</u>	<u>\$ 11,563,414</u>	<u>\$ 52,045</u>	<u>\$ 3,106,432</u>	<u>\$ 14,721,891</u>

Note 7 - Fair Value Measurements (continued)

A reconciliation of changes in Level 3 inputs is as follows:

<u>Years Ended June 30</u>	<u>2024</u>	<u>2023</u>
Level 3 inputs, beginning of the year	\$ 3,106,432	\$ 2,639,483
Contributions	69,655	292,572
Interest and dividends	59,995	25,816
Investment fees	(23,655)	(21,644)
Net gains	<u>259,854</u>	<u>170,205</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 3,472,281</u>	<u>\$ 3,106,432</u>

Note 8 - Property and Equipment

Property and equipment consist of the following:

<u>At June 30</u>	<u>2024</u>	<u>2023</u>
Land	\$ 249,466	\$ 1,372,632
Building and improvements	4,183,515	4,183,515
Furniture and fixtures	487,331	436,752
Vehicles	1,838,670	1,809,170
Warehouse equipment	1,216,880	1,209,882
Construction in progress	117,339	458,857
Leasehold improvements	<u>4,769</u>	<u>4,769</u>
	8,097,970	9,475,577
Less, accumulated depreciation	<u>(4,417,669)</u>	<u>(4,030,596)</u>
<u>Property and equipment</u>	<u>\$ 3,680,301</u>	<u>\$ 5,444,981</u>

Depreciation expense for the years ended June 30, 2024 and 2023, was \$387,071 and \$421,790, respectively.

Note 9 - Intangible Assets

A description of intangible assets is as follows:

<u>At June 30</u>	<u>2024</u>	<u>2023</u>
Software	\$ 231,676	\$ 231,676
Less, accumulated amortization	<u>(137,283)</u>	<u>(88,697)</u>
<u>Intangible assets</u>	<u>\$ 94,393</u>	<u>\$ 142,979</u>

Note 9 - Intangible Assets (continued)

Amortization expense for the years ended June 30, 2024 and 2023, was \$48,586 and \$48,234, respectively. The following is the estimated future amortization expense for intangible assets:

<u>Years Ending June 30</u>		
2025	\$	47,466
2026		44,150
2027		2,777
2028		
2029		
<hr/>		
Total	\$	94,393

Note 10 - Accrued Liabilities

Accrued liabilities are described as follows:

<u>At June 30</u>	<u>2024</u>	<u>2023</u>
Accrued payroll	\$ 106,197	\$ 111,140
Accrued compensated absences	237,844	287,002
Unemployment reserve		42,381
401(k) contributions and withholdings	<u>2,623</u>	<u>28,638</u>
Accrued liabilities	\$ 346,664	\$ 469,161

Note 11 - In-kind Contributions

In-kind gifts are acknowledged for the furtherance of the various programs and mission of the Organization.

The Organization receives donated freezers and coolers that are held for distribution to partner agencies. The freezers and coolers totaled \$18,600 and \$32,933, at June 30, 2024 and 2023, respectively, and are included in other assets on the accompanying statements of financial position until distributed to partner agencies.

Volunteers also provided a variety of tasks that assist the Organization with specific objectives throughout the fiscal year that are not recognized as contributions in the financial statements since the recognition criteria were not met. The Organization received approximately 67,000 and 55,000 volunteer hours during the years ended June 30, 2024 and 2023, respectively.

Note 11 - In-kind Contributions (continued)

In-kind contributions are summarized as follows:

<u>Year Ended June 30, 2024</u>			
	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
In-kind contributions:			
Equipment	\$ 122,700	Food Collection & Distribution	None
Gift cards	10,325	Food Collection & Distribution	None
Supplies for fundraisers	40,159	Fundraising	Fundraising Events
Other	<u>1,340</u>	Food Collection & Distribution	None
Total in-kind contributions	174,524		
USDA food receipts	3,725,965	Food Collection & Distribution	Food dist. to eligible recipients
Privately donated food	<u>21,921,940</u>	Food Collection & Distribution	None
Total contributions of nonfinancial assets	<u>\$ 25,822,429</u>		
<u>Year Ended June 30, 2023</u>			
	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
In-kind contributions:			
Equipment	\$ 186,327	Food Collection & Distribution	None
Professional services	39,100	Allocated to programs & management and general	None
Gift cards	66,654	Food Collection & Distribution	None
Supplies for fundraisers	48,854	Fundraising	Fundraising Events

Note 11 - In-kind Contributions (continued)

Year Ended June 30, 2023			
Advertising	\$ 42,400	Food Collection & Distribution	None
Software	4,356	Allocated to programs & management and general	None
Other	<u>6,126</u>	Food Collection & Distribution	None
Total in-kind contributions	393,817		
USDA food receipts	2,229,319	Food Collection & Distribution	Food dist. to eligible recipients
Privately donated food	<u>21,295,290</u>	Food Collection & Distribution	None
Total contributions of nonfinancial assets	<u>\$ 23,918,426</u>		

Fair valuation techniques - Donated property is valued using an independent appraisal report. The valuation for USDA food receipts and privately donated food is discussed in Note 1, Food Inventories. Professional services, advertising, and other donated services are valued by the donor based on standard billing rates for the underlying services provided. All other in-kind contributions are valued at the donor provided amount, price that would be paid to purchase a comparable item, or current sales price of the item as sold by the donating vendor.

Note 12 - Defined Contribution Plan

The Organization participates in a 401(k) defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after attaining age twenty-one and completing three months of service. The Organization will make matching contributions equal to fifty percent of the employees' elective deferral up to six percent. Employer contributions become vested after three years of continuous service. The Organization also has the option to make discretionary nonelective contributions to the Plan. The Organization made the following contributions to the Plan:

Years Ended June 30	2024	2023
Matching contributions	\$ 49,638	\$ 92,200
Discretionary contributions	<u> </u>	<u>28,490</u>
Total retirement expense	<u>\$ 49,638</u>	<u>\$ 120,690</u>

Note 13 - Commitments and Contingencies

Lease Commitments

The Organization leases office space, warehouse space, and office equipment under operating lease agreements. The Organization has elected to apply the short-term lease exception to all leases with a term of 12 months or less. Leases with a remaining term of 12 months or less, or those that are considered immaterial, are not recorded in the statement of financial position. Management has determined all operating leases meet this criterion and has not recognized operating lease agreements as operating lease right-of-use assets and liabilities. Lease expense is recognized for these leases on a straight-line basis over the lease term. These leases require various monthly payments and expire through August 2028.

Short-term and immaterial operating leases expenses are included in occupancy and equipment maintenance and lease expenses in the accompanying statements of activities. Short-term and immaterial operating lease costs totaled \$45,049 and \$91,713 for the years ended June 30, 2024 and 2023, respectively. The following is a schedule of future minimum lease payments under short term and immaterial lease agreements:

<u>Years Ending June 30</u>	
2025	\$ 30,629
2026	30,629
2027	15,540
2028	1,590
2029	
<hr/>	
<u>Total minimum lease payments</u>	<u>\$ 78,388</u>

Truck Purchase Agreement

In May 2023, the Organization entered into a contract to purchase a refrigerated truck from a third party for approximately \$210,000. As of June 30, 2024, the purchase is contingent on the delivery of the truck by the seller.

Property Purchase Agreement

In June 2024, the Organization entered into a contract to purchase a warehouse and land for \$12,500,000. As of June 30, 2024, the purchase is contingent on the completion of the due diligence process.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any year since inception.

Note 13 - Commitments and Contingencies (continued)

Government Assisted Programs

The Organization has received proceeds from governmental agencies. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the refund or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying financial statements for the repayment of any grant monies or third-party reimbursements.

Note 14 - Concentrations of Credit Risk

Uninsured Cash Balances

The Organization maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. Generally, cash balances will exceed the FDIC insurance limits or be partially uninsured.

Investment Risk

The Organization's short-term investments, investments, and beneficial interest in endowment funds are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the fair value of investments, it is at least reasonably possible that changes in the various risk factors could occur in the near term and materially affect the Organization's financial position.

Concentrations of Revenue

Concentrations of revenue exist when revenue from a single source equals 10% or more of the Organization's total revenue. Government grants and USDA food receipts from one grantor for the years ended June 30, 2024 and 2023, were \$3,149,739 and \$5,251,304, respectively. Grants receivable from this grantor at June 30, 2024 and 2023, was \$496,584 and \$183,289, respectively.

Note 15 - Related Party Transactions

Contributions from board members totaled \$62,849 and \$43,621, during the years ended June 30, 2024 and 2023, respectively.

The Organization operates as a member of Feeding America. Contributions received from Feeding America were \$253,354 and \$600,278, for the years ended June 30, 2024 and 2023, respectively. Purchases made from Feeding America were \$824,518 and \$607,091 for the years ended June 30, 2024 and 2023, respectively. Accounts payable to Feeding America at June 30, 2024 and 2023, was \$86,276 and \$54,014, respectively.

Note 16 - Income Taxes

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions material to the financial statements.

Open Tax Years

The Organization's Return of Organization Exempt From Income Tax (Form 990) for the years ended years ended June 30, 2023, 2022, and 2021, are subject to examination by the IRS, generally for three years after they were filed.

Note 17 - Subsequent Events

Management has evaluated subsequent events through February 20, 2025, which is the date the financial statements were available to be issued.

On September 27, 2024, heavy rains and winds from Hurricane Helene caused extensive damage and record flooding to the Western North Carolina region. The Organization experienced a complete loss of warehouse space, administrative offices, and inventory. An estimate of loss is not determinable as of the report date. The Organization has received approximately \$80,000 in insurance proceeds related to the disaster. The community rallied around the Organization with emergency donations of food and supplies, temporary warehousing, and monetary contributions to support recovery efforts. As of the report date, approximately \$37.8 million has been received in contributions in response to Hurricane Helene.

On October 30, 2024, the Organization purchased an 89,000 square foot warehouse building in Mills River, North Carolina as a replacement facility.

On February 18, 2025, the Organization entered into a \$7,511,661 construction contract to add 16,000 square feet of freezers and refrigeration to the new facility, improve the electrical and sprinkler system, and adding dock levelers.

COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
MANNA Food Bank, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of MANNA Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MANNA Food Bank, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MANNA Food Bank, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of MANNA Food Bank, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control that we consider to be material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

To the Board of Directors
MANNA Food Bank, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MANNA Food Bank, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

MANNA Food Bank, Inc.'s Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on MANNA Food Bank, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. MANNA Food Bank, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CARTER, P.C.

Asheville, North Carolina
February 20, 2025

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
MANNA Food Bank, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited MANNA Food Bank, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of MANNA Food Bank, Inc.'s major federal programs for the year ended June 30, 2024. MANNA Food Bank, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, MANNA Food Bank, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MANNA Food Bank, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MANNA Food Bank, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MANNA Food Bank, Inc.'s federal programs.

To the Board of Directors
MANNA Food Bank, Inc.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MANNA Food Bank, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about MANNA Food Bank, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MANNA Food Bank, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MANNA Food Bank, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MANNA Food Bank, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

To the Board of Directors
MANNA Food Bank, Inc.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CARTER, P.C.

Asheville, North Carolina
February 20, 2025

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards Year Ended June 30, 2024

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass- through to Subrecipients</u>
Federal Awards				
<u>U.S. Department of Agriculture</u>				
Food and Nutrition Service:				
Passed through N.C. Department of Agriculture and				
Consumer Services - Food Distribution Division:				
Food Distribution Cluster:				
Emergency Food Assistance Program (Food Commodities)	10.569	23-024-2055 & 24-012-2013	\$ 2,202,423	\$ 2,199,673
COVID-19 - Emergency Food Assistance Program (Food Commodities)	10.569	23-024-2055 & 24-012-2013	1,404,795	1,404,795
Commodity Supplemental Food Program	10.565	23-024-2055 & 24-010-2001	43,920	27,508
Emergency Food Assistance Program (Administrative Costs)	10.568	23-024-2055 & 24-012-2013	233,883	
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568	23-024-2055 & 24-012-2013	63,475	
Emergency Food Assistance Program (Administrative Costs)	10.568	23-025-2001 & 24-010-2001	9,805	
Passed through Feeding the Carolinas:				
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568	ARPA-TEFAPAPRR1-22-NC & ARPA-TEFAPAPRR-23-NC	445,406	
Total Food Distribution Cluster			<u>4,403,707</u>	<u>3,631,976</u>
Passed through Feeding the Carolinas:				
Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments	10.182		<u>216,409</u>	

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2024

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Pass- through to Subrecipients</u>
Federal Awards (continued)				
<u>U.S. Department of Agriculture (continued)</u>				
Food and Nutrition Service (continued):				
Passed through N.C. Department of Health and Human				
Services - Division of Child and Family Well-Being:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental				
Nutrition Assistance Program				
	10.561	45211 & 46346	\$ 136,964	\$
Total U.S. Department of Agriculture			<u>4,757,080</u>	<u>3,631,976</u>
<u>U.S. Department of the Treasury</u>				
Passed through N.C. Department of Agriculture and				
Consumer Services - Food Distribution Division:				
Coronavirus State and Local Fiscal Recovery Funds				
	21.027	22-052-2003	<u>2,842,575</u>	
Total expenditures of federal awards			<u>\$ 7,599,655</u>	<u>\$ 3,631,976</u>
State Awards				
<u>North Carolina Department of Health and Human Services</u>				
Division of Budget and Analysis:				
State-Wide Health and Human Services Initiative				
		24-035-2005	\$ 1,000,000	\$
N.C. Medicaid Division of Health Benefits:				
Passed through Impact Health:				
Healthy Opportunities Pilot Program				
			<u>132,902</u>	
Total expenditures of state awards			<u>\$ 1,132,902</u>	<u>\$</u>

MANNA FOOD BANK, INC.

Schedule of Expenditures of Federal and State Awards (continued) Year Ended June 30, 2024

Notes to the Schedule of Expenditures of Federal and State Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state award activity of MANNA Food Bank, Inc. under programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFSA presents only a selected portion of the operations of MANNA Food Bank, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of MANNA Food Bank, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

MANNA Food Bank, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

MANNA FOOD BANK, INC.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over compliance:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance
for major federal programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR section 200.516(a)? yes X no

Identification of major federal programs:

AL# 21.027 - Coronavirus State and Local Fiscal Recovery Funds

Food Distribution Cluster:

AL# 10.565 - Commodity Supplemental Food Program

AL# 10.568 - Emergency Food Assistance Program (Administrative Costs)

AL# 10.569 - Emergency Food Assistance Program (Food Commodities)

The threshold for distinguishing Type A and Type B programs was \$750,000.

MANNA Food Bank, Inc. was determined to be a low-risk auditee.

MANNA FOOD BANK, INC.

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2024

Section II - Financial Statement Findings

Finding 2024-001 - Internal Controls Over Recording Revenue

MATERIAL WEAKNESS

Criteria: Internal control procedures should be designed in a way to accurately record, and report revenues earned.

Condition: Revenues earned were not properly recorded when the related federal expenditures were incurred, resulting in material adjustments to revenue account balances.

Effect: Material adjustments were required to federal revenue account balances.

Cause: An increase in the number of funding sources and changes in employee roles near fiscal year end resulted in strains within the financial reporting process and allowed for errors to occur and go undetected.

Recommendation: Controls related to the tracking and reporting of revenues should be reviewed to determine that they are appropriately designed and operating with the changes that have occurred within the Organization.

Views of Responsible Officials and Planned Corrective Actions: Management of the Organization agrees with this finding and will adhere to the Corrective Action Plan.

MANNA FOOD BANK, INC.

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2024

Section II - Financial Statement Findings (continued)

Finding 2024-002 - Inventory Tracking System

SIGNIFICANT DEFICIENCY

Criteria: Inventory software activity reports should be monitored to determine that inventory valuation, receipts, and distributions are appropriately being entered and assigned to the various inventory products and transactions.

Condition: Inventory software activity reports contained valuation errors related to purchased inventory products.

Effect: Inventory activity related to purchased products in the inventory system did not agree to the accounting records. Inventory products were undervalued due to costs being inaccurately transferred during the assembly process.

Cause: Inventory activity reports were not reviewed on a regular basis to identify and correct errors in a timely manner. Assembled inventory products are inconsistently valued by the inventory software.

Recommendation: We recommend that inventory activity reports be reviewed on a regular basis and reconciled to the accounting records to prevent misstatements from occurring and going undetected. Assembled inventory products should be valued based on actual costs incurred.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with this finding and will adhere to the Corrective Action Plan.

Section III - Federal Award Findings and Questioned Costs

None reported.

MANNA FOOD BANK, INC.

Corrective Action Plan Year Ended June 30, 2024

Finding 2024-001 - Internal Controls Over Recording Revenue

MATERIAL WEAKNESS

Name of Contract Person: Claire Neal, Chief Executive Officer

We appreciate the audit process and the insights provided regarding our internal controls over recording revenue. We acknowledge the material weakness identified and would like to provide context for the situation, as well as outline the corrective measures we are implementing to strengthen our internal controls going forward.

Context of the Issue

The 2023-2024 fiscal year presented unique challenges due to an unforeseen and significant leadership transition within our financial management team. Early in the year, our CFO of 10 years experienced a sudden critical illness leaving our organization in a state of operational uncertainty for many months. During this period, we appointed an interim CFO to maintain financial oversight while awaiting clarity on our CFO's ability to return. Once it was determined that our CFO would not be able to resume their role, we proceeded with a full recruitment process and successfully hired a replacement. As a result, three different individuals served as CFO during the fiscal year, leading to some inconsistencies in our execution of internal controls.

Corrective Action

To address the material weakness identified in our internal controls over recording revenue, we are implementing a comprehensive internal control assessment. We are engaging an external firm to conduct a thorough assessment of our internal control framework. This assessment will evaluate our current procedures, identify any additional gaps, and recommend improvements to ensure compliance with contemporary auditing standards. In collaboration with our external advisors, we will document our internal control structure so as to have a reference for all financial personnel, providing clear guidelines on revenue recognition, reconciliations, and segregation of duties to uphold strong internal controls.

We are committed to addressing this issue proactively and ensuring that our internal control environment is robust and aligned with best practices.

MANNA FOOD BANK, INC.

Corrective Action Plan (continued) Year Ended June 30, 2024

Finding 2024-002 - Inventory Tracking System

SIGNIFICANT DEFICIENCY

Name of Contract Person: Claire Neal, Chief Executive Officer

We acknowledge the continued significant deficiency identified in our inventory valuation process. Over the past year, we have diligently implemented all the steps outlined in our previous corrective action plan. However, throughout this rigorous process, we determined that our inventory management system was not capable of accurately recording valuations despite our best efforts to refine our procedures and controls.

Corrective Actions Taken

Over the course of the fiscal year, we conducted a comprehensive review of our inventory management system's capabilities and limitations. Our assessment confirmed that the system's inherent design constraints prevented us from achieving the necessary accuracy in inventory valuation. As a result, we took the following actions:

1. **System Review and Evaluation:** We engaged in a thorough evaluation of alternative inventory management systems, benchmarking key features against our operational needs and financial reporting requirements.
2. **Selection of a New Inventory Management System:** After careful analysis, we selected a system that provides enhanced tracking capabilities, better integration with our accounting processes, and improved accuracy in inventory valuation.
3. **System Migration and Implementation:** Following the completion of the fiscal year, we successfully migrated to the new inventory management system. This transition included rigorous testing, staff training, and alignment of our financial reporting practices to ensure long-term accuracy and compliance.
4. **Data Review and Integration:** We are currently assessing how to check and migrate the data from the old ERP system so as to ensure future access for both new and historical data.

Next Steps

- With the new system in place, we are refining our procedures, including validation checkpoints, and enhancing our oversight to prevent errors in valuation.
- We will continue to monitor the effectiveness of the new system through periodic internal audits and reconciliations and reviews from both management and our finance committee.
- We are continuing to train our staff on the new system to ensure seamless adoption and accurate utilization.

As throughout our 41-year history, we are completely committed to continuing to strengthen our internal controls and to ensuring the utmost accuracy of our financial reporting.

MANNA FOOD BANK, INC.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

Reported findings for the year ended June 30, 2023:

Finding 2023-001 - Inventory Tracking System

Status: This finding is repeated as Finding 2024-001.

No findings were reported for the year ended June 30, 2022.